



From the Desk
of the
Chief Economist

BANK ISLAM

INFLATION SUSTAINED AT 2.2% DURING MARCH IN SPITE OF HIGHER FOOD PRICES

22 APRIL 2022

ECONOMIC RESEARCH

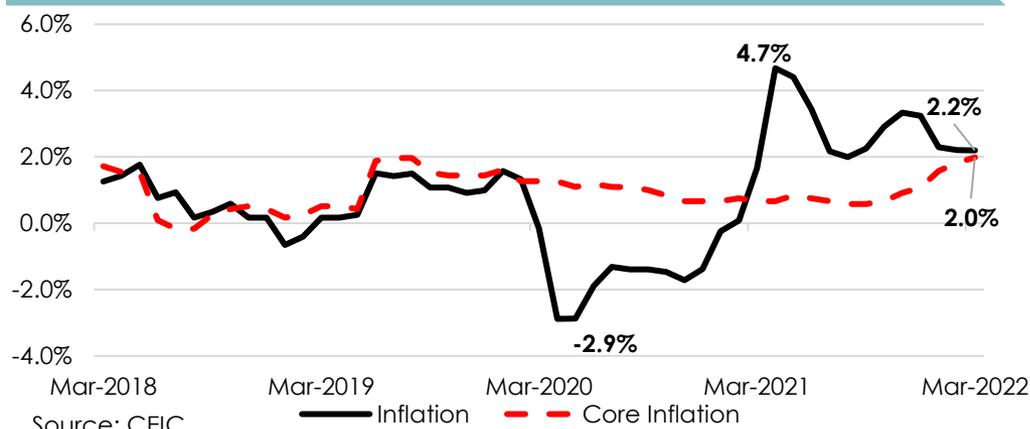
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INFLATION STOOD AT 2.2% IN MARCH

01 **Headline Inflation**
 March 2.2%
 February 2.2%

02 **Core Inflation**
 March 2.0%
 February 1.8%

Inflation Rate, y-o-y% (March 2018 – March 2022)



Food & Non-Alcoholic Beverages

March 4.0%
February 3.7%

Alcoholic Beverages & Tobacco

March 0.5%
February 0.4%

Clothing & Footwear

March -0.3%
February -0.2%

Housing, Water, Electricity, Gas & Other Fuels

March 0.9%
February 0.8%

Furnishings, Household Equipment & Routine Household Maintenance

March 3.0%
February 3.2%

Health

March 0.2%
February 0.5%

Transport

March 2.6%
February 3.9%

Communication

March 0.0%
February 0.0%

Recreation Services & Culture

March 1.1%
February 1.6%

Education

March 0.9%
February 0.7%

Restaurants & Hotels

March 2.9%
February 2.6%

Miscellaneous Goods & Services

March 1.9%
February 1.1%

Sources: CEIC, DOSM

COST OF FOOD & NON-ALCOHOLIC BEVERAGES, AS WELL AS HOUSING, WATER, ELECTRICITY, GAS & OTHER FUELS WERE HIGHER DURING MARCH

	Weight	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	4Q2021	1Q2022
Consumer Price Index	100.0%	1.7%	4.7%	4.4%	3.4%	2.2%	2.0%	2.2%	2.9%	3.3%	3.2%	2.3%	2.2%	2.2%	3.2%	2.2%
Food & Non-Alcoholic Beverages	29.5%	1.5%	1.9%	1.5%	1.3%	1.3%	1.2%	1.9%	1.9%	2.7%	3.2%	3.6%	3.7%	4.0%	2.6%	3.8%
Alcoholic Beverages & Tobacco	2.4%	0.6%	0.7%	0.7%	0.7%	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.4%	0.4%	0.5%	0.3%	0.4%
Clothing & Footwear	3.2%	-0.3%	-0.4%	-0.5%	-0.4%	-0.4%	-0.4%	-0.5%	-0.4%	-0.4%	-0.4%	-0.3%	-0.2%	-0.3%	-0.4%	-0.3%
Housing, Water, Electricity, Gas & Other Fuels	23.8%	-0.8%	3.1%	3.2%	3.2%	0.7%	0.6%	0.7%	3.2%	3.4%	3.4%	0.7%	0.8%	0.9%	3.3%	0.8%
Furnishings, Household Equipment & Routine Household Maintenance	4.1%	0.9%	1.6%	2.1%	2.0%	1.7%	1.7%	1.7%	2.1%	2.6%	2.7%	3.1%	3.2%	3.0%	2.5%	3.1%
Health	1.9%	0.5%	0.5%	0.6%	0.5%	0.4%	0.3%	0.3%	0.2%	0.2%	0.2%	0.3%	0.5%	0.2%	0.2%	0.3%
Transport	14.6%	9.8%	27.0%	26.0%	16.6%	11.6%	11.0%	11.0%	11.3%	12.7%	9.5%	6.0%	3.9%	2.6%	11.1%	4.2%
Communication	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Recreation Services & Culture	4.8%	0.5%	0.7%	0.6%	0.6%	0.6%	0.7%	0.6%	0.2%	0.2%	0.4%	1.2%	1.6%	1.1%	0.3%	1.3%
Education	1.3%	0.0%	0.2%	0.3%	0.5%	0.1%	0.0%	-0.1%	-0.1%	0.1%	0.2%	0.7%	0.7%	0.9%	0.1%	0.7%
Restaurants & Hotels	2.9%	0.0%	0.2%	0.2%	0.5%	0.7%	0.6%	0.3%	0.6%	0.9%	1.3%	2.1%	2.6%	2.9%	0.9%	2.5%
Miscellaneous Goods & Services	6.7%	1.0%	1.2%	0.7%	0.3%	0.1%	-0.6%	-0.5%	-0.2%	0.1%	0.4%	0.6%	1.1%	1.9%	0.1%	1.2%
Core CPI		0.7%	0.7%	0.8%	0.7%	0.7%	0.6%	0.6%	0.7%	0.9%	1.1%	1.6%	1.8%	2.0%	0.8%	1.7%

Sources: DOSM, CEIC

1

Malaysia's Consumer Price Index (CPI) remains unchanged at 2.2% year-on-year (y-o-y) in March (Consensus: 2.3%, Bank Islam: 2.6%)

2

Nonetheless, costs of Food & Non-Alcoholic Beverages (March: 4.0% vs. February: 3.7%), as well as Housing, Water, Electricity, Gas & Other Fuels (March 0.9% vs. February: 0.8%) increased during March. These sub-indexes accounted for 53.3% of total CPI.

3

Meanwhile, the cost of Transport moderated by 2.6% during the month after rising by 3.9% in March.

4

The similar pattern was also seen in Furnishings, Household Equipment & Routine Household Maintenance (March: 3.0% vs. February: 3.2%), Health (March: 0.2% vs. February: 0.5%) and Recreation Services & Culture (March: 1.1% vs. February: 1.6%) during March.

5

The Core CPI which excludes most volatile items of fresh food, as well as administered prices of good and services went up by 2.0 % in March compared to a 1.8% growth in the previous month.

6

On a quarterly basis, the inflation rate eased by 2.2% in 1Q2022 (4Q2021: 3.2%) while the core inflation jumped by 1.7% in the same period (4Q2021: 0.8%).

CPI BY STATES AND TERRITORIES

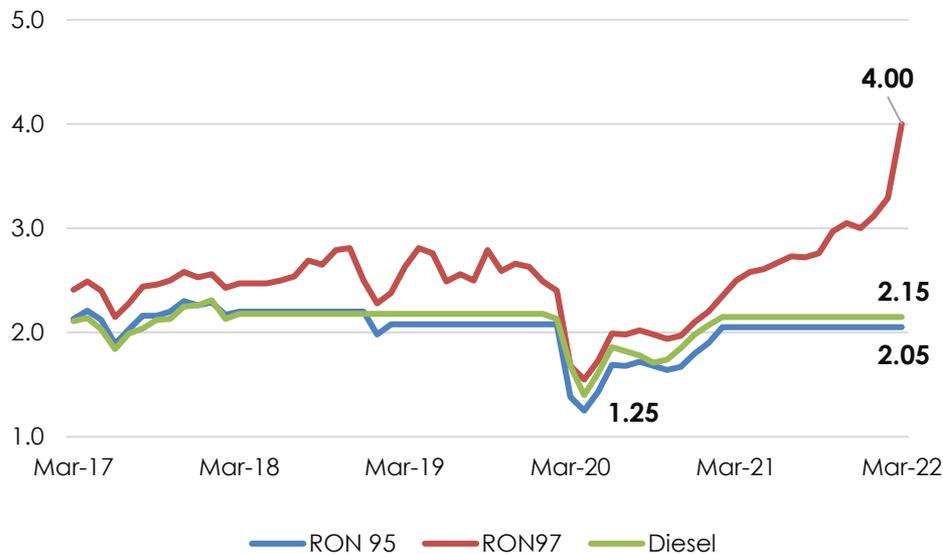
States	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	4Q2021	1Q2022
Nationwide	1.7%	4.7%	4.4%	3.4%	2.2%	2.0%	2.2%	2.9%	3.3%	3.2%	2.3%	2.2%	2.2%	3.2%	2.2%
WP Kuala Lumpur	1.5%	3.8%	3.7%	3.0%	2.0%	1.6%	1.5%	2.0%	2.4%	2.3%	1.8%	1.9%	1.8%	2.2%	1.8%
Selangor & WP Putrajaya	1.9%	4.7%	4.5%	3.5%	2.4%	2.0%	2.2%	3.1%	3.7%	3.7%	2.9%	2.9%	2.9%	3.5%	2.9%
Melaka	1.3%	4.4%	4.1%	3.2%	2.0%	2.0%	2.3%	3.1%	3.7%	3.2%	2.0%	2.0%	1.9%	3.3%	2.0%
Negeri Sembilan	1.8%	5.0%	4.7%	3.5%	2.1%	2.0%	2.2%	3.2%	3.7%	3.3%	1.8%	1.8%	1.6%	3.4%	1.7%
Johor	1.5%	4.9%	4.6%	3.4%	2.1%	2.0%	2.4%	3.1%	3.5%	3.4%	2.2%	1.9%	2.0%	3.3%	2.0%
Pahang	1.9%	5.6%	5.1%	3.9%	2.5%	2.4%	2.8%	3.7%	4.1%	3.6%	2.1%	1.9%	1.8%	3.8%	1.9%
Kelantan	2.3%	5.7%	5.6%	4.1%	2.4%	2.4%	2.8%	3.6%	4.0%	3.8%	2.4%	2.1%	2.1%	3.8%	2.2%
Terengganu	2.8%	6.3%	6.2%	4.4%	2.8%	2.6%	3.1%	3.9%	4.3%	3.9%	2.7%	2.4%	2.4%	4.0%	2.5%
Kedah & Perlis	1.6%	5.1%	4.8%	3.5%	2.1%	2.1%	2.4%	3.2%	3.7%	3.7%	2.4%	2.2%	2.0%	3.5%	2.2%
Pulau Pinang	1.5%	3.9%	3.7%	2.9%	1.8%	1.6%	1.8%	2.5%	3.0%	3.1%	2.0%	2.0%	2.2%	2.9%	2.1%
Perak	1.7%	4.7%	4.5%	3.6%	2.2%	2.1%	2.5%	3.4%	4.0%	3.7%	2.5%	2.2%	2.2%	3.7%	2.3%
Sabah & WP Labuan	0.8%	3.9%	3.6%	2.6%	1.4%	1.4%	1.4%	2.1%	2.4%	2.0%	1.9%	1.8%	1.3%	2.2%	1.7%
Sarawak	1.2%	4.3%	4.1%	2.9%	2.3%	2.4%	2.5%	2.4%	2.7%	2.5%	2.1%	2.0%	1.7%	2.6%	1.9%

Sources: CEIC, DOSM

- ✓ During March, most of the states registered a modest increase in the inflation. Nevertheless, Selangor (March: 2.9% vs. February: 2.9%) and Terengganu (March: 2.4% vs. February: 2.4%) continued to record an inflation that was above the national inflation of 2.2% during the month.
- ✓ On the flip side, Sarawak (March: 1.7% vs. February: 2.0%), Negeri Sembilan (March: 1.6% vs. February: 1.8%), as well as Sabah & WP Labuan (March: 1.3% vs. February: 1.8%) were the three states with the lowest CPI figure in March.
- ✓ On a quarterly basis, all states posted a slower increase of inflation in 1Q2022 as compared to 4Q2021.

- ✓ The modest growth in the overall CPI (March & February: 2.2% vs. Jan: 2.3%) was partly resulting from slower price increases for transport (March: 2.6% vs. February: 3.9%) amid lower fuel prices.
- ✓ This was due to the government initiative to cap prices of RON95 and Diesel at RM2.05 and RM2.15 per litre respectively. To highlight, RON95 has significant influence whenever there is a change in the price level.
- ✓ Meanwhile, RON97 price increased significantly by 60.0% y-o-y from RM2.50 per litre in March last year to RM4.00 per litre in March 2022. However, the usage among Malaysians are fairly low and therefore, the impact may not be felt to the average citizens.

Petrol Prices, RM/litre



Source: CEIC

Petrol Prices in Malaysia:

Date	Price, RM per litre			y-o-y change, %		
	RON95	RON97	Diesel	RON95	RON97	Diesel
March-21	2.05	2.50	2.15	48.6%	48.8%	28.0%
March-22	2.05	4.00	2.15	0.0%	60.0%	0.0%

Date	Price, RM per litre			y-o-y change, %		
	RON95	RON97	Diesel	RON95	RON97	Diesel
1Q2021	2.05	2.50	2.15	148.6%	148.8%	128.0%
1Q2022	2.05	4.00	2.15	0.0%	60.0%	0.0%

Date	Price, RM per litre			q-o-q change, %		
	RON95	RON97	Diesel	RON95	RON97	Diesel
4Q2021	2.05	3.00	2.15	0.0%	8.7%	0.0%
1Q2022	2.05	4.00	2.15	0.0%	33.3%	0.0%

Sources: CEIC, Bank Islam

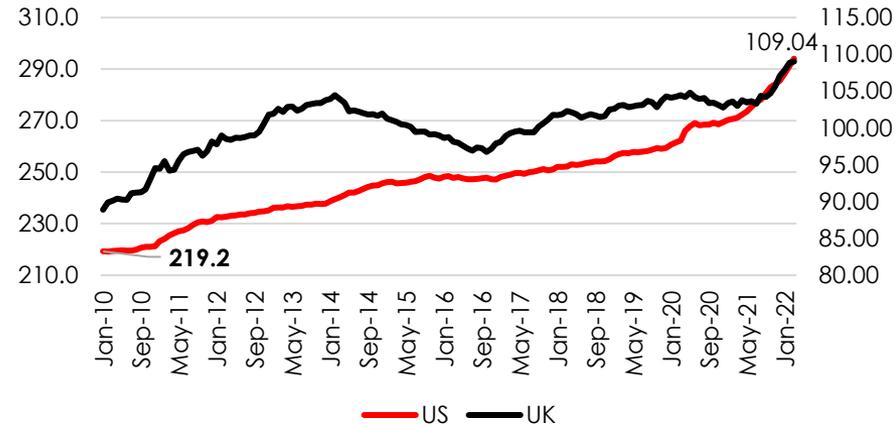
“GIANT LEAP” IN FOOD PRICES

All Commodity Price Index, points

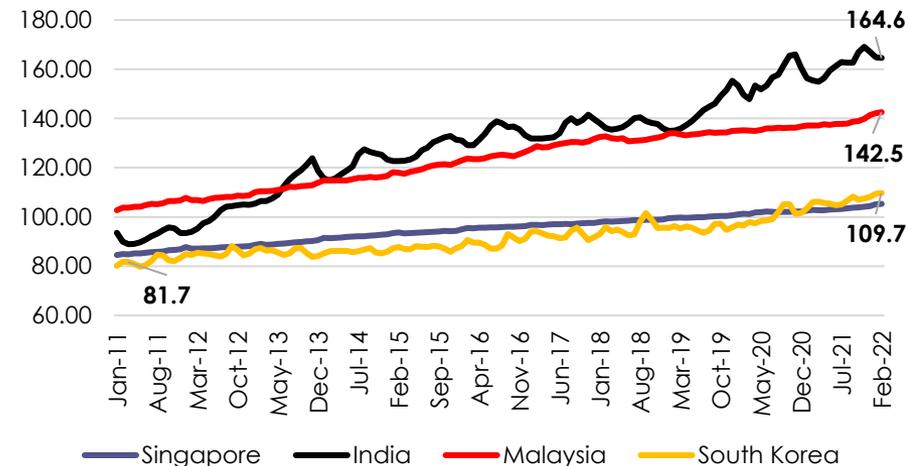


- ✓ The shocks from Ukraine war have spread through markets for staple grains and vegetable oils.
- ✓ Following this, the IMF’s All Commodity Price Index hit all time high to 240.7 points in March 2022 (February: 203.4 points), representing a 18.3% m-o-m increase.
- ✓ This has translated into rising food prices in many countries as businesses have to pass the higher costs to the consumers.
- ✓ True enough, Malaysia’s food price also increased by 4.0% in March (February: 3.8%).
- ✓ Hence, the unresolved geopolitical tension alongside persistent increase in commodity prices could jeopardize global food security.

U.S. Food Price Index vs. U.K. Food Price Index, points



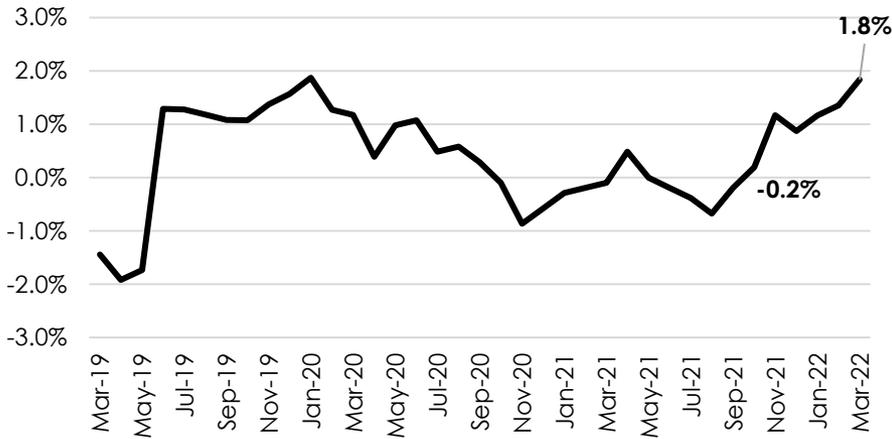
Asia Food Price Index, points



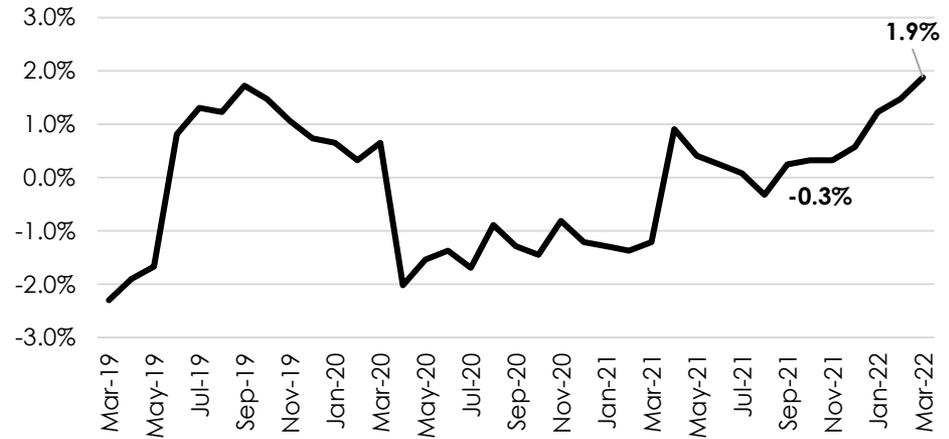
Sources: International Monetary Fund (IMF), CEIC

Wheat-based product prices have been rising. This was mainly affected by cost-push inflation amid Russia-Ukraine war that has disrupted global supply chain.

Flour & Other Cereals, y-o-y%

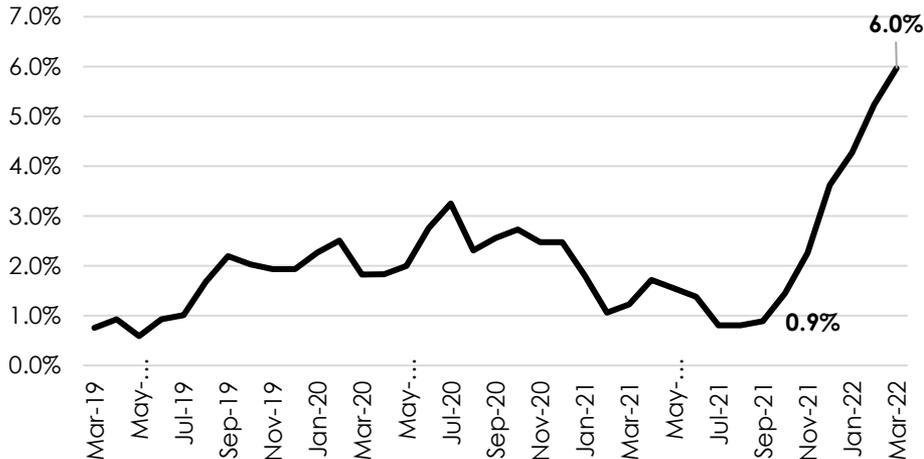


Biscuits, y-o-y%

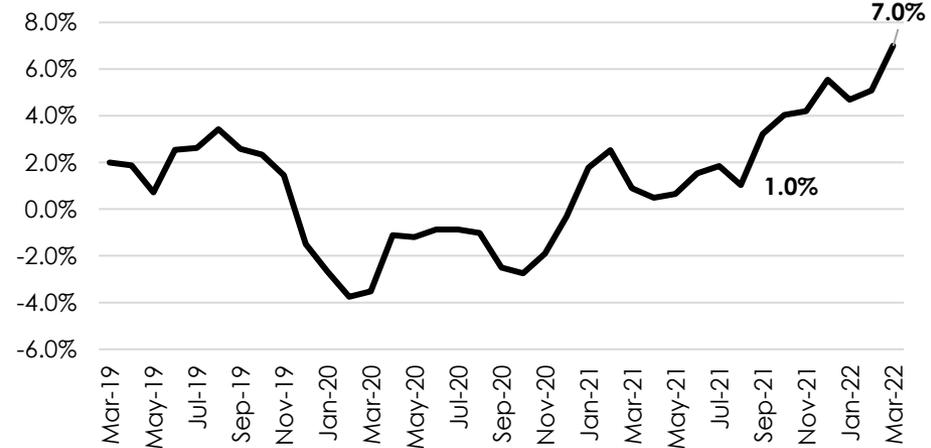


Price of basic food necessities has also been surging.

Frozen Meat, y-o-y%



Milk, Cheese & Eggs, y-o-y%



- ✓ **Inflation is a “present danger” in many countries** – Recently, the IMF has revised up its inflation projection in 2022 for advanced economies at 5.7%, as well as emerging markets and developing countries at 8.7%. This is 1.8% and 2.8% higher than in the January World Economic Outlook, citing that the conflict in Ukraine is likely to have a protracted impact on commodity and food prices.
- ✓ **An anticipation of higher inflation rate in 2Q2022** – Festive such as Hari Raya Aidilfitri will likely to boost consumer spending. As such, the rise in expenditure for foods, drinks, clothing and furniture is inevitable. Apart from that, the reopening of Malaysia’s international border commencing 1 April could prop up economic growth, supported by stronger private consumption amidst more positive sentiments and overall outlook. Hence, a surge in demand for products and services can cause price to increase as consumers are willingly to pay more for the products.
- ✓ **However, higher Overnight Policy Rate (OPR) is plausible in 2H2022** – We are of the view that the Bank Negara Malaysia (BNM) will normalize its accommodative monetary policy in 2H2022. While the U.S Federal Reserve (Fed) and other central banks are likely to be aggressive in increasing their benchmark interest rate, the BNM is expected to remain patient on OPR hike, aiming to continue support the uneven economic recovery. In that sense, OPR should stay as it is at least until end of 1H2022.
- ✓ **All in all, we are maintaining our CPI growth forecast of 2.5% this year (2021: 2.5%).** Such projection is premised on higher prices for foods and commodities and to some extent, the recovery in demand condition. We have also taken into account the assumption that the government may hold the prevailing fuel subsidies this year.

EMERGING AND DEVELOPING ASIA - INFLATION PROJECTION BY THE IMF

	Average	2014	2015	2016	2017	2018	2019	2020	2021	Projections		
	2004–13									2022	2023	2027
Emerging and Developing Asia	5.0	3.4	2.7	2.8	2.4	2.7	3.3	3.1	2.2	3.5	2.9	2.7
Bangladesh	8.2	7.3	6.4	5.9	5.4	5.8	5.5	5.6	5.6	6.0	6.2	5.5
Bhutan	6.3	9.6	6.7	3.3	4.3	3.7	2.8	4.2	8.1	7.9	5.4	4.0
Brunei Darussalam	0.7	-0.2	-0.3	-0.4	-1.3	1.1	-0.4	1.9	1.5	2.0	1.5	1.0
Cambodia	6.2	3.9	1.2	3.0	2.9	2.4	2.0	2.9	3.0	3.0	3.0	3.0
China	3.1	2.0	1.4	2.0	1.6	2.1	2.9	2.4	0.9	2.1	1.8	2.0
Fiji	4.1	0.5	1.4	3.9	3.3	4.1	1.8	-2.6	0.2	4.0	3.0	2.5
India	8.2	5.8	4.9	4.5	3.6	3.4	4.8	6.2	5.5	6.1	4.8	4.0
Indonesia	7.1	6.4	6.4	3.5	3.8	3.3	2.8	2.0	1.6	3.3	3.3	2.9
Kiribati	1.7	2.1	0.6	1.9	0.4	0.6	-1.8	2.5	3.0	5.0	3.3	1.6
Lao P.D.R.	6.0	4.1	1.3	1.6	0.8	2.0	3.3	5.1	3.8	6.2	5.0	3.0
Malaysia	2.5	3.1	2.1	2.1	3.8	1.0	0.7	-1.1	2.5	3.0	2.4	2.5
Maldives	6.7	2.4	1.4	0.8	2.3	1.4	1.3	-1.6	0.2	2.3	2.0	2.0
Marshall Islands	4.1	1.1	-2.2	-1.5	0.1	0.8	-0.5	-0.2	3.5	5.3	3.0	2.0
Micronesia	4.4	0.7	0.0	-0.9	0.1	1.1	2.2	0.9	2.1	5.6	3.0	2.1
Mongolia	11.2	12.3	5.7	0.7	4.3	6.8	7.3	3.7	7.1	15.5	14.5	6.5
Myanmar	10.6	5.7	7.3	9.1	4.6	5.9	8.6	5.7	3.6	14.1	8.2	7.8
Nauru	...	0.3	9.8	8.2	5.1	0.5	4.3	-6.6	1.2	2.0	2.0	2.0
Nepal	7.9	9.0	7.2	9.9	4.5	4.1	4.6	6.1	3.6	5.8	5.8	5.4
Palau	3.8	4.0	2.2	-1.3	1.1	2.0	0.6	0.7	0.4	5.0	2.3	1.0
Papua New Guinea	4.4	5.2	6.0	6.7	5.4	4.7	3.7	4.9	4.5	6.4	5.4	4.5
Philippines	4.6	3.6	0.7	1.2	2.9	5.3	2.4	2.4	3.9	4.3	3.7	3.0
Samoa	5.2	-1.2	1.9	0.1	1.3	3.7	2.2	1.5	-3.0	8.3	4.8	3.0
Solomon Islands	7.7	5.3	-0.6	0.5	0.5	3.5	1.6	3.0	-0.1	5.4	3.2	3.6
Sri Lanka	8.6	2.8	2.2	4.0	6.6	4.3	4.3	4.6	6.0	17.6	12.9	5.0
Thailand	3.1	1.9	-0.9	0.2	0.7	1.1	0.7	-0.8	1.2	3.5	2.8	2.0
Timor-Leste	6.3	0.8	0.6	-1.5	0.5	2.3	0.9	0.5	3.8	6.0	4.0	2.0
Tonga	6.0	2.3	0.1	-0.6	7.2	6.8	3.3	0.4	1.4	6.1	4.3	2.7
Tuvalu	2.4	1.1	3.1	3.5	4.1	2.2	3.5	1.6	3.0	4.4	3.1	2.9
Vanuatu	2.4	0.8	2.5	0.8	3.1	2.4	2.7	5.3	3.0	4.8	3.9	2.9
Vietnam	10.4	4.1	0.6	2.7	3.5	3.5	2.8	3.2	1.9	3.8	3.2	3.5

Source: IMF

ADVANCED ECONOMIES - INFLATION PROJECTION BY THE IMF (CONT'D)

	Average	2014	2015	2016	2017	2018	2019	2020	2021	Projections		
	2004-13									2022	2023	2027
Advanced Economies	2.0	1.4	0.3	0.7	1.7	2.0	1.4	0.7	3.1	5.7	2.5	1.9
United States	2.4	1.6	0.1	1.3	2.1	2.4	1.8	1.2	4.7	7.7	2.9	2.0
Euro Area ³	2.0	0.4	0.2	0.2	1.5	1.8	1.2	0.3	2.6	5.3	2.3	1.9
Germany	1.8	0.8	0.7	0.4	1.7	1.9	1.4	0.4	3.2	5.5	2.9	2.0
France	1.8	0.6	0.1	0.3	1.2	2.1	1.3	0.5	2.1	4.1	1.8	1.6
Italy	2.2	0.2	0.1	-0.1	1.3	1.2	0.6	-0.1	1.9	5.3	2.5	2.0
Spain	2.5	-0.2	-0.5	-0.2	2.0	1.7	0.7	-0.3	3.1	5.3	1.3	1.7
The Netherlands	1.8	0.3	0.2	0.1	1.3	1.6	2.7	1.1	2.8	5.2	2.3	2.0
Belgium	2.3	0.5	0.6	1.8	2.2	2.3	1.2	0.4	3.2	8.0	1.3	1.7
Ireland	1.3	0.3	-0.1	-0.2	0.3	0.7	0.9	-0.5	2.4	5.7	2.7	2.0
Austria	2.1	1.5	0.8	1.0	2.2	2.1	1.5	1.4	2.8	5.6	2.2	2.0
Portugal	2.0	-0.2	0.5	0.6	1.6	1.2	0.3	-0.1	0.9	4.0	1.5	1.3
Greece	2.6	-1.4	-1.1	0.0	1.1	0.8	0.5	-1.3	0.6	4.5	1.3	1.9
Finland	2.0	1.2	-0.2	0.4	0.8	1.2	1.1	0.4	2.1	3.8	2.7	1.8
Slovak Republic	3.1	-0.1	-0.3	-0.5	1.4	2.5	2.8	2.0	2.8	8.4	4.1	2.0
Lithuania	3.8	0.2	-0.7	0.7	3.7	2.5	2.2	1.1	4.6	13.3	4.3	2.3
Slovenia	2.7	0.2	-0.5	-0.1	1.4	1.7	1.6	-0.1	1.9	6.7	5.1	2.4
Luxembourg	2.8	0.7	0.1	0.0	2.1	2.0	1.7	0.0	3.5	5.6	2.0	2.0
Latvia	5.3	0.7	0.2	0.1	2.9	2.6	2.7	0.1	3.2	10.0	3.9	2.5
Estonia	4.4	0.5	0.1	0.8	3.7	3.4	2.3	-0.6	4.5	11.9	4.6	2.3
Cyprus	2.2	-0.3	-1.5	-1.2	0.7	0.8	0.5	-1.1	2.2	5.3	2.3	1.9
Malta	2.4	0.8	1.2	0.9	1.3	1.7	1.5	0.8	0.7	4.7	2.8	2.0
Japan	-0.1	2.8	0.8	-0.1	0.5	1.0	0.5	0.0	-0.3	1.0	0.8	1.0
United Kingdom	2.7	1.5	0.0	0.7	2.7	2.5	1.8	0.9	2.6	7.4	5.3	2.0
Korea	2.9	1.3	0.7	1.0	1.9	1.5	0.4	0.5	2.5	4.0	2.4	2.0
Canada	1.8	1.9	1.1	1.4	1.6	2.3	1.9	0.7	3.4	5.6	2.4	2.0
Taiwan Province of China	1.4	1.3	-0.6	1.0	1.1	1.5	0.5	-0.2	1.8	2.3	2.2	1.4
Australia	2.7	2.5	1.5	1.3	2.0	1.9	1.6	0.9	2.8	3.9	2.7	2.5
Switzerland	0.6	0.0	-1.1	-0.4	0.5	0.9	0.4	-0.7	0.6	2.5	1.6	1.0
Sweden	1.5	0.2	0.7	1.1	1.9	2.0	1.7	0.7	2.7	4.8	2.2	2.0
Singapore	2.7	1.0	-0.5	-0.5	0.6	0.4	0.6	-0.2	2.3	3.5	2.0	1.5
Hong Kong SAR	2.5	4.4	3.0	2.4	1.5	2.4	2.9	0.3	1.6	1.9	2.1	2.5
Czech Republic	2.5	0.3	0.3	0.7	2.5	2.1	2.8	3.2	3.8	9.0	2.3	2.0
Israel	2.1	0.5	-0.6	-0.5	0.2	0.8	0.8	-0.6	1.5	3.5	2.0	1.8
Norway	1.7	2.0	2.2	3.6	1.9	2.8	2.2	1.3	3.5	3.5	1.8	2.0
Denmark	1.9	0.4	0.2	0.0	1.1	0.7	0.7	0.3	1.9	3.8	2.1	2.0
New Zealand	2.6	1.2	0.3	0.6	1.9	1.6	1.6	1.7	3.9	5.9	3.5	2.0
Puerto Rico	3.1	0.6	-0.8	-0.3	1.8	1.3	0.1	-0.5	2.3	4.4	3.3	1.8
Macao SAR	4.6	6.0	4.6	2.4	1.2	3.0	2.8	0.8	0.0	2.8	2.7	2.5
Iceland	6.2	2.0	1.6	1.7	1.8	2.7	3.0	2.9	4.5	6.9	5.5	2.5
Andorra	2.2	-0.1	-1.1	-0.4	2.6	1.3	0.7	0.3	1.7	2.9	1.3	1.7
San Marino	2.3	1.1	0.1	0.6	1.0	1.8	1.0	0.2	2.1	4.9	2.0	1.7

Source: IMF

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An aerial photograph of a city skyline at sunset, with a prominent pink bar at the bottom. The sky is filled with soft, golden light and scattered clouds. The city features numerous high-rise buildings, with a particularly tall, slender skyscraper on the left. A highway with traffic is visible in the foreground, winding through the city. The overall mood is warm and serene.

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